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Dear Trader -

Welcome to Daytrading University's Live Seminar Video Proprietary Techniques Manual. We hope you enjoy the worksheets and activities contained here for you to use while viewing the 9 hours of footage in the Live Seminar Videotapes.

These materials took weeks to design and should be used carefully, as you learn how to apply the techniques contained in the videotapes. Please carefully review all terms at <http://www.DaytradingUniversity.com/disclaim.htm> prior to viewing these materials.

**Contact us with any questions you may have:
Ken@DaytradingUniversity.com and we will answer you promptly.**

Best wishes,

**Ken Calhoun, Founder
Daytrading University.com**

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**Presented by Ken Calhoun, President
DAYTRADING UNIVERSITY
www.DaytradingUniversity.com
Enjoy the workshop!**



Advanced Day Trading 2-Day Seminar

**August 20-21, 2001
Sheraton Hotel - Anaheim**

**Proprietary Nasdaq Day Trading
Techniques for Active Traders**

Presented by Ken Calhoun, President
DAYTRADING UNIVERSITY
www.DaytradingUniversity.com
Enjoy the workshop!



Advanced

Day Trading:

Pro Nasdaq

Day Trading Techniques

Participant Workbook



DTU's Advanced Day Trading Seminar "Success Guidelines"



To make this a fast-paced, comprehensive and successful seminars, I ask for your help in following these guidelines during the session:

- Come prepared to learn with an open and active traders' mind.
- A valid photo ID is required for admittance. You will be required to sign a disclaimer and waiver/legal agreement prior to attending the seminar. No ID, no admittance. No exceptions.
- Because of the huge volume of tips and trading content we will be covering (think "3+ days worth of seminar in 2 days"), we will need to limit questions to times during our interactive Table Activity sessions, which will be fairly frequent during the seminar, as well as during lunch and after the sessions each day.
- We will stay as late as you need following each seminar day to answer all of your trading questions that you may have. We are there for you, I just need to ask you to not interrupt each session's topic with a lot of questions, or we won't have time to cover everything. I am an expert facilitator, having trained 28,000 people in my career, and will facilitate everything successfully to keep us on schedule.
- Absolutely no personal recording devices allowed.
- Absolutely no cell phones, laptops, pagers or other annoying electronic devices allowed. These will be taken from you at the door if you bring them, kept at the front office of the Sheraton, and returned at the end of the session.
- Absolutely no 'heckling' or negative comments allowed.
- No competitors or affiliates/agents/partners allowed: absolutely nobody who is affiliated with, owns, works for or is compensated in any way by any person or company that delivers stock trading related seminars, online chat services or stock educational services is allowed to attend.
- Absolutely no food, soft drinks, bags of chips, candy will be allowed in the main seminar room. This is annoying and distracting. We will provide coffee, lunch and other food to you during the seminar.
- No exceptions to any of these guidelines will be permitted. They are for the success of the seminar, and I'm sure you will understand (especially if you've been in a seminar where one or more of these things has occurred).

Please do bring lots of questions - I will answer all of your questions, usually during activities, breaks, lunch, and at the end of each day. These guidelines will help ensure the success of the seminar. We're looking forward to seeing you in this positive, practical and focused session that is geared for intense learning and discussion of professional trading strategies. Thanks.

NOTE: Daytrading is a speculative and risky activity, and you are encouraged to seek the guidance of a qualified financial advisor prior to trading and security. We are not a registered financial advisor nor investment advisor and make no warranties as to the suitability of the techniques contained herein. You assume full liability and responsibility for the outcomes of all of your trading activities, including but not limited to loss of capital. Charts found herein are © 2001 Data Broadcasting Corp. <http://www.esignal.com> Used with permission. All other materials are © 2001 Ken Calhoun/HBTG. All rights reserved. You hereby agree to be bound by all terms of our disclaimer, located on our website, at <http://www.daytradinguniversity.com/disclaim.htm> We wish you success!

Introductions

Morning Table Activity (8:45am-9:00am): "Crouching Trader, Hidden Market"
(subtitle: Fast Trading, Early Profits)

Warmup Topic: Preparing to Make Winning Trades

- Setting Up Your Charts: 1/2 Day Closeup Charts, 2 Day Charts & Thumbnail Charts
- Multimonitor Daytrading Explained: Some Tips You Should Know
- Using Market Indicators: Recognizing TRINQ, COMPQ and Sector Divergence

Daytrading Scanning Strategies that Work

- Premarket Gaps and Nas Futures
- Following the Sectors on the Open: SOX GSO GIN GIP NBI IXTC Percentages
- Recognizing Early Breakouts and Cup Patterns, Time & Sales Strategies
- Trading Following Wide Range Previous Day Patterns

Table Activity: *"Planning for Careful Trades: What to Do Each Morning"*

Mastering Timing: How to Read Timing Signals for Pro Daytrading

- Trading the First Half Hour: the 10-minute Reversals
- Trading off the 10am Reversal: Patterns to Watch For, Time & Sales Pivots
- Trading the 15-20 Minute Trends from 10am til 11:30am
- Nail the Gaps and Avoid the Traps: Open Gap Trading and Trading Early Reversals

LUNCH & Activity (Noon-1pm): *"Reading the Market & Trading the Open"*

Mastering Day Trading Chart Breakouts

- Pro Chart Patterns Every Trader Needs to Know
- Using 2-Day High Low Breakout Longs and Breakout Shorts: How to Set Alerts
- Trading off of Subtle Intraday and Multiday Support/Resistance Lines
- Reading Micro Cup Patterns and Consolidation Pattern Breaks
- Candlestick Patterns & How to Use them with Time & Sales
- Momentum Breakouts & Volume Reversals

Table Activity: *"Mastering Your Microtrading Chart Pattern Recognition Skills"*

Trading with Fibonacci Retracements

- How to Master Intraday Bounce Plays and Shorts
- "Get out While the Getting's Good": How to Spot Pivots and Reversals
- Managing Your Trailing Stops Using Fibo Retrace Points

Avoiding the "Wiggles"

- How to Not Get Shaken Out on a Pullback & Still Keep Tight Stops
- Intraday Trading Patterns and Ranges, Tape Reading
- Managing Your Entries Carefully: Trading Outside the Noise, In the Profit

Day One Wrap Up Activity: Pro Trading Scenarios & Discussion, Trader Q&A

Advanced Day Trading: DAY TWO ACTIVITIES

Dynamic Chart Patterns: Reading Traders' Actions

- Breakout Patterns and Slope of the Trade Line
- Wiggle Patterns and "Drop to Stops", Double Bottom/Top Plays

Advanced Chart Patterns & New Signals for Successful Daytrading

- Tape Readers' Playbook: How to Profit from Time & Sales Patterns
- Knowing Each Intraday Trading Range & Trading Within the Runs
- How to use stochastic pops and MA crossovers selectively
- Using Micro Support/Resistance in the COMPQ/Sectors and Charts
- Additional Chart Patterns You Should Be Able To Recognize and Trade

Table Activity (1:00-1:30): *"Step by Step Trade Management with Charts & Level II"*

Know the Red Flags: Exit Signals Professional Traders Use

- Scanning the volatility, trend, volume and tring by sector
- Spotting the Exceptions and Early Warning Signals; Time & Sales reversals
- Checklist of Warning Signs that Should Keep You Out of a Trade
- A Few Professional Thoughts on Selectively Trading for Wins

Managing Risk and Exiting Your Trades On Time Every Time

- Small Stops & Fast Timing: Learn how You Should Look at Each Trade
- How To Improve Your Timing Skills for Daytrading Nasdaq Stocks
- Responding to the Market: Keeping Close Stops and Taking Early Profits
- Building Faster Trading Reactions and Closer Trade Management Abilities

Personal Trading Action Plan: Using Advanced Day Trading Workshop Techniques to Design a Specific Plan for Trading More Professionally

Trader Discussions and Facilitated Q&A



Morning Table Activity #1:

“Crouching Trader, Hidden Market”

Instructions: Take a look at the charts below. With the help of others at your table, LABEL each Chart “**TIGER**” (Good for trading) or “**DRAGON**” (you’re likely to get burned) for a **LONG** trade based on what you see.



Tiger or
Dragon?

Why?



Tiger or
Dragon?

Why?



Tiger or
Dragon?

Why?



Warmup Topic: Preparing to Make Winning Trades

SETTING UP YOUR CHARTS: Professional Nasdaq Daytraders' Rig

1/2 Day 1-min Candle w/Stochs/Volume - Use w/large time & sales box



Use this to help you follow the micro buy/sell trend and to time your specific entries.

Time	Exg	Price	Size	Flags	Bid	Exg	Ask	Exg	Sizes
8/10 10:08:10					26.83	NMS	26.84	NMS	95x15
8/10 10:08:10	NMS	26.84	100						
8/10 10:08:10					26.83	NMS	26.84	NMS	95x3
8/10 10:08:09	NMS	26.83	4000						
8/10 10:08:09	NMS	26.84	500						
8/10 10:08:09	NMS	26.83	1000						
8/10 10:08:09					26.83	NMS	26.84	NMS	95x10
8/10 10:08:09					26.83	NMS	26.84	NMS	105x10
8/10 10:08:08					26.83	NMS	26.84	NMS	105x4
8/10 10:08:08					26.83	NMS	26.84	NMS	105x22
8/10 10:08:08					26.83	NMS	26.84	NMS	145x22
8/10 10:08:08					26.83	NMS	26.84	NMS	155x22
8/10 10:08:08	NMS	26.84	100						
8/10 10:08:08					26.83	NMS	26.84	NMS	155x18
8/10 10:08:08					26.83	NMS	26.84	NMS	157x18

2 Day 2-min Candle w/Volume



Use this to help you identify:

- a) 2-day high/low support and resistance areas
- b) the volatility and "trade potential"
- c) the volume pattern
- d) the average intraday trading range.

Thumbnail 1/2-day 1-min Line Grouped by Sector



Use these to help you scan for breakouts.

Warmup Topic:

Preparing to Make Winning Trades *(continued)*



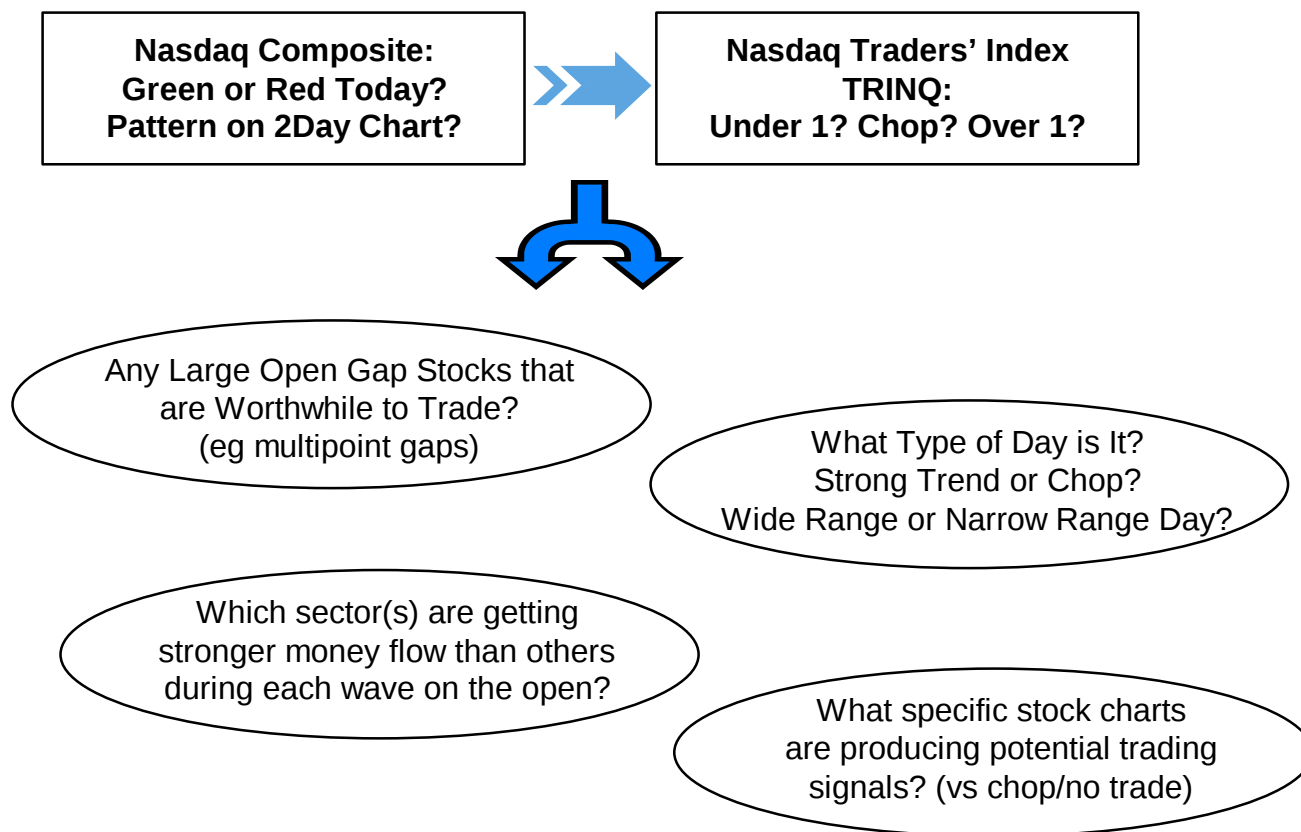
MULTIMONITOR DAYTRADING TIPS



- Clearly identify the **role of each monitor**: eg order execution, SOX sector and thumbnails, Market charts, 1/2 day chart, etc. Make it a system that you understand.
- Have 3-4 monitors, 17-21" (Sony/Viewsonic), use Windows 2000 Pro, Matrox G400 and other PCI video cards and a fast ISP (128K+, cablemodem/T1 best)
- Use this system to help you make trading decisions, it's a live **scanning** tool.
- **Experiment** heavily with various setups til you find one that works for you.
- Develop a **decision path**, a **process** for what you will do when signals present themselves.
- This multimonitor setup is your lifeline to the market. Make it work for you.

Using MARKET INDICATORS

**MAJOR TREND (OPPORTUNITY 1) &
DIVERGENCE FROM THE MAJOR TREND (OPPORTUNITY 2)**





PREMARKET GAPS & NASDAQ FUTURES

• Premarket Gap Patterns:

As a Trader, your Goal is To Determine whether it's a CONTINUATION or REVERSAL PLAY



• Nas Futures:

- Watch this premarket on CNBC or use NQ U1 /ND0 etc
- Follow trend, eg is it +32 at 8:40 am and trends down to +11 by 9:28 am?
- Less than 10 or so either direction right before the open is no signal
- Large premarket values give you a "suspect" open gap n trap, eg >25

FOLLOWING THE SECTORS ON THE OPEN

- They will gap on the open, the question is by how much, direction, and trend?
- The trading question is, which are the highest potential sectors to trade within?

Time of Day	Sector Value	Action
9:30-9:40	< 0.5%	--None--
9:30-10am	0.5% to 1.0%	Look for trend continuation
9:30-10am	>1.0%	Look for gap reversal
10am-10:30am	<1%	--None--
10am-10:30am	1%-2%	Check for divergence, eg 1-2 lead sectors

Symbol	Change
\$GSO	+ 0.18
\$SOX	-0.08
\$COMPQ	-0.24
\$IXTC	-0.42
\$GHA	-0.69
\$GIN	-1.34

RECOGNIZING EARLY BREAKOUTS & CUPS, T&S STRATEGIES

• Cup Patterns

Advantages: Easy to Spot, Best Trades, Highest Probability of Followthrough

Disadvantages: Need to route order quickly for a fill, competitive trading

What to look for: Scanning for cups that take the stock over previous days' high.

Enter .3 to .5 over whole number above previous days' high.

How to Use Time & Sales: Ratio of buyers/sellers and tape speed



• Consolidation Breakouts

Advantages: Clearly defined entry & stop loss

Disadvantages: Can have false breakouts to new highs, bad for choppy markets

What to look for: Volume on the breakout, ascending/descending triangles. These can occur on bounce trades as well, eg ascending triangle after a sharp drop, buy into fibo bounce range.

How to Use Time & Sales: Look for 'piggyback trades', eg the crowd piles into it once the 'dam has burst' to the breakout level.





Morning Table Activity #2:

“Planning for Careful Trades: What to Do”



Instructions: Discuss the following trading scenario with others at your table. Develop a specific trading strategy, including:

- 1) **Scanning** for Opportunities: What will you check, to identify potentially profitable trades?
- 2) **Risk Management:** What factors will keep you out of a trade? How to manage your trades?
- 3) **Technical Analysis & Trade Decision Making:** What will get you into a trade? What do you need to see?
- 4) **Profit Taking:** Once you're in the trade, how will you protect open profits? How long do you expect to be in each trade?

DAY TRADERS' MORNING CHECKLIST

Day of Week: Wednesday

Premarket Futures:

8:45am : +8.47

9:25am +13.22

What did the Market do Yesterday?

Range: 1988-2024, closed at 2015

Trend: Flat/slightly up

Open Gap Direction:

many stocks opening up +.25-.5 or so from previous days' close, no large-gap stocks

Ding Ding! Market Opens, Here's what happens next:

- 9:40 am: Software sector seems to be leading the pack. \$GSO is strongest at +0.71, \$NBI following at +0.64, all others +.14 to +.37
- \$COMPQ opened at 2027, has climbed to 2031 by 9:40
- We got a pullback at 9:42 in the sectors, at 9:48 buyers resume and the market continues up. COMPQ at 2038 and rising. TRINQ at .62 and falling.

BONUS - YOU MAKE THE CALL:

Choose (a) or (b) for each pair below. Discuss with other traders.

- 1) Do you (a) Buy ADBE since it's making a 2day high or (b) Short CHKP because it looks topy?
- 2) Given the same charts, do you (a) Buy PSFT or (b) Buy EBAY?
- 3) Do you (a) buy at 9:50 and look to sell by 9:58 or (b) wait til 10am to look for new trades?
- 4) The COMPQ is at a 2day high. Do you (a) short a stock that's headed up or (b) buy a stock that's headed down?
- 5) You see BEAS getting new buyers, it's gone up .77 points already today, but you don't know whether you're "too late" at 9:50am. What do you do? (a) Go ahead and buy since the market looks bullish right now or (b) Buy something that hasn't already run up quite so much and has a flatter chart pattern?

Mastering TIMING:

How to Reading Timing Signals for Pro Daytrading



Trading the First Half Hour: the 10-minute Reversals

What You Look for:

- First "fill open orders" 9:30-9:38
- Retracement/FIRST REVERSAL 9:40
- Does it a) go strong after 9:40? or b) chop and have a tentative consolidation?
- 9:40-9:50: PIVOT TIME
- 9:50 SECOND REVERSAL
- 10am: MAJOR TREND CONTINUATION/REVERSAL

How to Trade It:

- Max 8 minute round trips, 3-5 mins fine
- Live by the TAPE more than the CHART
- You have to KNOW ROUTING COLD
- Paranoid stops, 2-3 spreads max
- "Wild Wild West" - quick & the dead



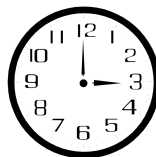
Trading the off the 10am Reversal: Patterns to Watch For, T&S Pivots

What You Look for:

- Has a run around 9:50 been established that continues on past 10am hesitation?
- Follow the tape closely, ratio of buy:sell
- Pattern 1: Fade off new hod top
- Pattern 2: Consolidate after selling
- Pattern 3: Momentum breakout continuation
- Pattern 4: Goes into chop zone

How to Trade It:

- Trade heavier shares, build up positions
- The chart and tape EQUAL Importance
- Sweep ISLD fills strategy up to 2 spreads out of market ok for 10-10:05 entries
- Wider stops, 3-4 spreads max, use chart support/resistance on 1-min candlestick



Trading the 15-20 minute Trends from 10-11:30am

What You Look for:

- Chart Patterns - this is the TA time
- Relative Continued Strength (RCS) across sectors
- Volume Reversals for bottom fish trades, eg after sharp multipoint drops

How to Trade It:

- 5-15 minute round trips fine
- Heavy use of trailing stops to lock in profits
- Live by the CHART more than the TAPE
- You have to use more discipline to avoid fading tops, bottom fishing, eg be more SELECTIVE in your entries here



Nail the Gaps and Avoid the Traps: Open Gap Trading & Trading Early Reversals

What You Look for:

- Percentage gap up: eg over 12-15% be careful about gap and traps
- Volume and t&s to determine continuation gap or gap reversal
- Early Reversals: Trade potential exists following large (eg > 1.5pt) moves, dont look for reversals in small range charts

How to Trade It:

- Examine premarket chart pattern for cup or trend
- For a Reversal, cup pattern entry, identify the TA buy/short entry at least .3 away from whole number over cup
- For Continuation, use T&S Ratio for entry and trade management



Lunch and Table Activity #3:

“Reading the Market and Trading the Open”

Instructions: For our lunch activity, please discuss your ideas on each of these trading issues with others at your table. Select a facilitator:



How Do you Tell the DIFFERENCE between “chop charts” that you shouldn’t be trading and “good charts” that can produce wins for you? What techniques have you found work best to help you manage tighter stops/trailing stops?



What are two major differences in trading the 9:30-10am timeframe and the 10am-11:30 timeframe? How do you manage your trading differently?



Advanced Trading: What subtleties have you found in DECIMALIZATION and SuperSOES trading that are Different from trading earlier this year?

What techniques re position management are effective with decimal trading? How do you use these changes to make more effective trades?



What’s something You want to learn more about during this Advanced Day Trading Seminar?

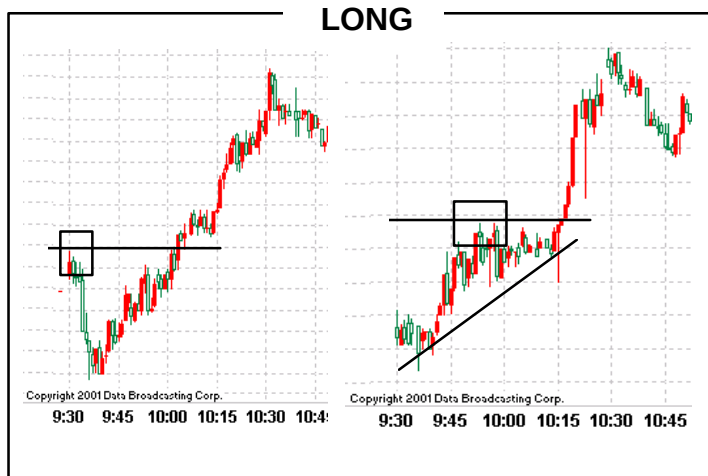
What’s one thing you want to make a personal commitment to yourself for, in improving your trading skills?

Mastering Day Trading Chart Breakouts



PRO CHART PATTERNS EVERY TRADER NEEDS TO KNOW

☐ = what you need to learn re chart TA



Cup Breakout

**Consolidation
Breakout**



Bear Cup

**Consolidation
Breakdown**

USING 2-DAY HIGH/LOW BREAKOUT LONGS/SHORTS: How to Set Alerts

- Step 1:** Draw 2day high & low support lines
- Step 2:** Disqualify stock for current day's consideration unless it gets outside the 2day range. Also disqualify if it's a "chop chart" prev day. Exceptions: >3 point range
- Step 3:** Set alert .5 over previous days' high/.5 under prev days low, tighten in if time & sales and sectors/compq/trinq etc justify the entry.
- Step 4:** Design your trade management strategy based on: average intraday trading range, length of "legs" on prev day's morning, volume outliers.

Also, do not buy "9s", eg 39.xx, wait til it clears decade resistance.





Trading off subtle Intraday and Multiday Support/Resistance Lines

Tip: Always draw intraday support/res lines using previous day's chart pattern.

Multiday (2 Day) resistance becomes support 46.40:



Intraday Uptrend entry:



Reading Micro Cup Patterns and Consolidation Breaks

Tip: Give preference to 2day high cups and breakouts vs bounce trades when scanning for trade entries.





Using Candlestick Patterns and Time & Sales Together

Tip: Candlesticks are used as early warning signs for reversals, the time & sales is your confirmation indicator. They work as a system.

Where are the DOJIs?



Bullish engulfing is at ____ ?



Momentum Breakouts & Volume Reversals

Tip: These two types of trades require skilled use of time & sales w/correct order routing.

Momentum HGSI breakout over the 46.5:



Volume RFMD reversal off the 27.5:





Table Activity #4:

“Microtrading Chart Pattern Recognition Skills”

Instructions: Work with others to identify the right course of action for each of the following charts (eg buy/short/no trade). What's the entry? Why?



Is this a:

- Buy
- Short
- No trade

If you trade it, how and where?

How many shares?

Stop loss is where?

What type of chart play is this?



Is this a:

- Buy
- Short
- No trade

If you trade it, how and where?

How many shares?

Stop loss is where?

What type of chart play is this?



Is this a:

- Buy
- Short
- No trade

If you trade it, how and where?

How many shares?

Stop loss is where?

What type of chart play is this?

Trading with Fibonacci Retracements

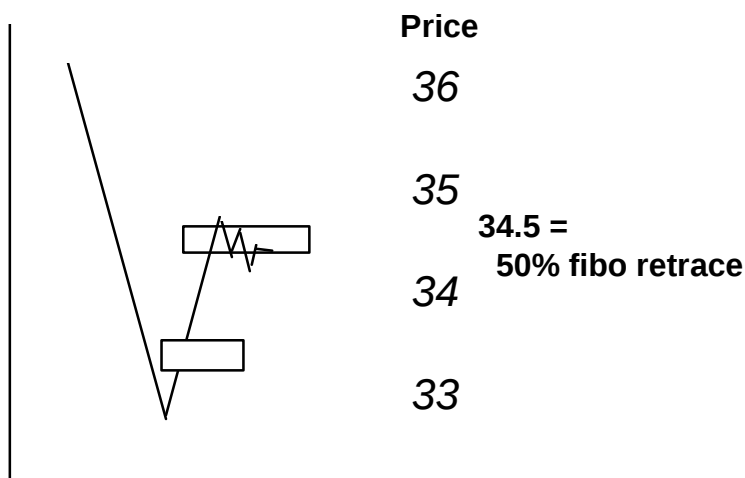


Fibonacci Percentages are: 24/38/50/62/78

How to Master Intraday BOUNCE plays and SHORTS

Fibo retracements are used to estimate:

- 1) Movements following a major trend reversal (trade potential)
- 2) Where you should start tightening up your trailing stop
- 3) Entries for secondary trades
- 4) Open gap retracement exits



DTU new Fibo Shorting Strategy:

- 1) First, estimate the stocks' average daily trading range
- 2) Next, identify where the 50% of the average range is, from the stocks' loss of the previous days' low
- 3) Start to trail a close cover stop once you've entered the short as it nears this fibonacci value

Pivots & Reversals

Trailing Stops



How to Not Get Shaken Out on a Pullback & Still Keep Tight Stops

The bane of daytraders: getting stopped out on either a) a choppy market or b) a stock that takes out your stop then resumes its trend

Goal: Achieving a balance between larger wins than stops.

- Rationale for .3 to .5 entries With T&S/sectors
- Position sizing once “right”, eg over .6
- Fading back out near whole number resistance, sitting out the low percentage area/chop zone (eg BRCD 35-35.2)

“Anti Shake” Tactics:

- Volume Bar Confirmations
- Tape strength
- 2d highs no bounces strategy
- Time of day & Entry within 10 minute runs
- Type of market day it is, convergence in sectors vs divergent day (red flag)



Intraday Trading Patterns & Ranges, Tape Reading

Tape Reading Tips to Avoid Wiggles:

- Blocks are unimportant unless the crowd follows them
- Learn to read the speed differences and impact on chart patterns and price
- Out of market trades are not important unless you see the crowd follow and the sellers lift off the inside ask
- Think of the tape like a stream, it's the money flow for the stock, you need to Always have your toe in the water to test the speed and direction

Managing Your Entries Carefully: Trading Outside the Noise, In the Profit

Be more selective on clean vs chop charts, “be a skeptic”

Experiment with different stocks and different price range stocks

Profit is when you see a strong trend that's still early enough to get in on, not buying right as it's about to pause and consolidate and/or reverse



Table Activity #5: Day One Wrap Up

“Pro Trading Scenarios and Discussion”, Q&A

Instructions: After today's session, you should now begin to understand just how detailed professional daytrading is. Gaining a close understanding of sensitive, specific indicators and timing your trades correctly is required.

At your table, please discuss the following scenarios and questions, and select a facilitator to help keep your group on track. Enjoy!

Nasdaq Choppy Day

Day One: By 10am, the COMPQ is still in a 12 point trading range and the sectors are all within 1% of yesterdays 'close.

You do not yet see any stocks making convincing two-day highs or other strong runs, the max movement seems limited to sub-1/2 point movements. There is not much trend or signal among the sectors, they're all chop.

Outline your trading plan for today. What do you do? Buy/Short/Wait? What's your overall approach to trading today?

Nasdaq Strong Red

Day Two: It's a new trading day, the futures were -17.55 premarket and now, at 9:40am, the market seems to be under heavy sell pressure.

Semis are the weakest sector, with stocks like AMAT and QLGC making new two day lows. The strongest sector is our biotechs, though AMGN/BGEN/HGSI are trading flat.

Outline your trading plan for today. What do you do? Buy/Short/Wait? What's your overall approach to trading today?

Nasdaq Modest Green

Day Three: The market has been getting buyers this morning, looks like software, GHA, is the lead sector, up 1.44 and rising. It's 10:08 am and ADBE MSFT CHKP are making new 2-day highs.

Other sectors are drifting around, looks like the semis and biotechs are getting some buyers too.

Outline your trading plan for today. What do you do? Buy/Short/Wait? What's your overall approach to trading today?



Dynamic Chart Patterns: Reading Traders' Actions

Breakout Patterns and Slope of the Trade Line

Sharp runs are more prone to pullbacks than gradual uptrends; wait for a consolidation and/or cup pattern for a new entry following a sharp slope chart run.



Wiggle Patterns & “Drop to Stops”, Double Bottom/Top Plays

Trade 1 - Short) Use .5 short entry below whole number to safeguard against reversal,
Trade 2 - Long) Look for long bounce entries .25-.5 following a sharp drop to stop area on volume cup bounce.

Also look for 2day low support bounces following sharp morning drops. These plays do not occur often in afternoon trading.

Market makers often drop a stock to where casual investors place stop sell orders, take the stops out (buy cheap), then accumulate on the way back up.





Table Activity #6:

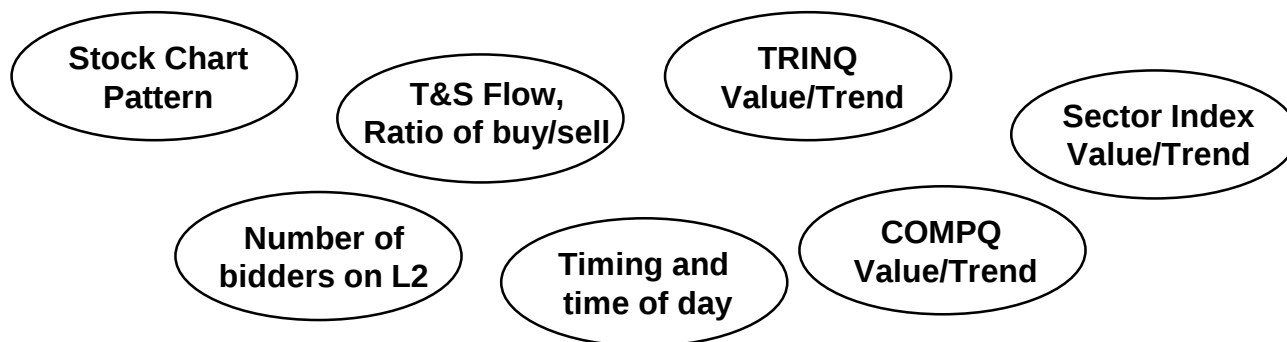
“Using Chart Patterns and Level 2”

Instructions: Now that you’ve seen new techniques for both chart pattern based trading and order execution skills, let’s put the two together. Ready?

Icebreaker: Discuss the single most helpful order routing strategy and use of L2 that you have found with other traders at your table.

Weighting: What’s Most Important, When?

Which of these indicators is most important, and which can override the others? Discuss the role of each in professional daytrading:



Sequence of Events, Systems Approach

Trade Checklist:

Develop a quick checklist of things that you should check, in sequential order, prior to making any daytrade.

Use the list of actions above to start with.

Advanced Chart Patterns and New Signals for Successful Daytrading



Tape Readers' Playbook: How to Profit from Time & Sales Patterns



Stock moved up
+1 point in 7 minutes
(MEDI, Aug 13, '01)

Time	Exg	Price	Size
8/13 9:41:26	NMS	34.78	100
8/13 9:41:26	NMS	34.78	100
8/13 9:41:26	NMS	34.75	300
8/13 9:41:25	NMS	34.77	300
8/13 9:41:24	NMS	34.77	100
8/13 9:41:18	NMS	34.75	500
8/13 9:41:13	NMS	34.75	100
8/13 9:41:07	NMS	34.74	500
8/13 9:40:57	NMS	34.74	100
8/13 9:40:50	NMS	34.73	100
8/13 9:40:46	NMS	34.74	100
8/13 9:40:43	NMS	34.72	200
8/13 9:40:40	NMS	34.73	200
8/13 9:40:36	NMS	34.77	100
8/13 9:40:33	NMS	34.75	300
8/13 9:40:31	NMS	34.72	100
8/13 9:40:31	NMS	34.72	100
8/13 9:40:29	NMS	34.71	400
8/13 9:40:23	NMS	34.68	300
8/13 9:40:21	NMS	34.63	3800
8/13 9:40:21	NMS	34.66	100
8/13 9:40:18	NMS	34.61	500

The Play:

- 1) Hits the ask >70% in a 2-minute time period
- 2) Nibbles at upside resistance, tape prints green on b/o entry
- 3) Tape clears 3-4 spreads inside of 2 minutes

How to Trade It:

- Buy routing up to 3 spreads out of market, ISLD sweep ok (be within 4 min's of initial run)
- Wait for at least +.2 over res for entry
- Wait for one pullback then enter over regain of prev high

Advanced Chart Patterns and New Signals for Successful Daytrading



Knowing Each Intraday Trading Range and Trading Within the Runs

- **Question 1:** How far does the stock run in a **single trend** before stalling and/or reversing, on average, during each trading wave?
- **Question 2:** What's the **average daily trading range** for the stock? 1 point? 2? 3? Trade stocks with a 2-4 point range.
- "How Right do You Have to Be?" to successfully make profits of +1/2 to +1 1/4 or so per trade, given this?



How to Use Stochastic Pops and MA Crossovers Selectively

• **Stochastics:** Unreliable, many false signals. Look for crossovers at 20/80 (10/90 safer). Secondary indicator at best. Best plays use them for sharp multipoint drops/spikes to time reversals and/or trailing stop exits.

• **MA Crossovers:** I like a 22period MA (non-exponential) on a 1minute chart. Use for exits, on crossover w/stock line. Also a less reliable, secondary indicator. I use these post-10am.

Note: both of these are used as oscillation indicators, only useful for stocks with large fast moves.

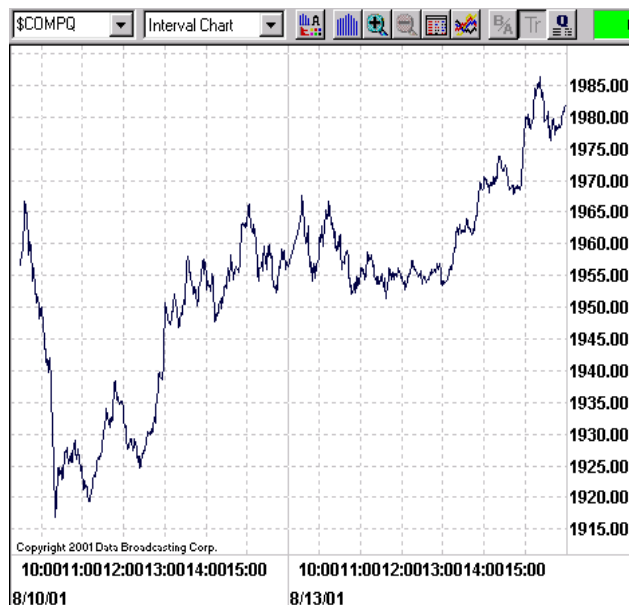
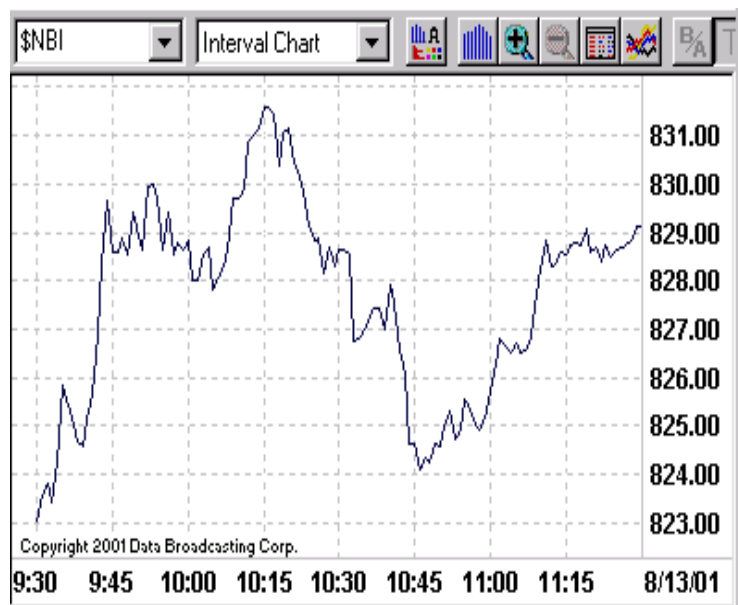


Advanced Chart Patterns and New Signals for Successful Daytrading



Using Micro Support/Resistance in the COMPQ/Sectors and Charts

Trading Tip: You Must be able to correctly spot key micro-support and resistance levels in the COMPQ first, before you do anything else.



Additional Chart Patterns You Should be Able to Recognize and Trade

“Steady up & double cup”



“Sink Trap”



“Fast Drop Shorts”





Table Activity #7:

“Step by Step Trade Management - Charts / L2”

Instructions: Let's work through a couple of practical examples of how you should be approaching and managing your trading. This is a focus on technicals, reaction time and discipline.

Example 1: MANU
Exiting the initial position.
Order Routing?
New Entry?
Short?

MANU		Best Market							
Change(O): +0.64		+4.2%ASize15.71LowVol: 12:32l							
Symbol	Bid	BSize	Symbol	Ask	ASize				
MONT	15.65	10	REDI	15.75	3	15.71	400		
REDI	15.64	1	ISLD	15.75	2	15.68	100		
BTRD	15.61	10	INCA	15.76	10	15.70	300		
ARCA	15.61	1	ARCA	15.76	10	15.71	100		
ISLD	15.56	10	COWIN	15.78	1	15.71	100		
CANT	15.56	1	GSCO	15.80	10	15.71	100		
INCA	15.55	10	MLCO	15.80	2	15.71	200		
BNDV	15.54	1	PIPR	15.80	1	15.76	200		
						15.70	5.00K		



Example 2: BRCD
Entering if it clears .5 or .6
Order Routing?
New Entry?
Short?

BRCD		Best Market							
Change(O): -2.06		-5.8%ASize33.49LowVol: 12:37l							
Symbol	Bid	BSize	Symbol	Ask	ASize				
ISLD	33.45	5	REDI	33.49	2	33.49	200		
REDI	33.43	2	ISLD	33.50	19	33.49	600		
INCA	33.42	5	DAIN	33.50	10	33.45	200		
ARCA	33.42	1	BRUT	33.50	3	33.45	400		
SCHE	33.40	3	SLKC	33.50	2	33.44	200		
CIBC	33.35	2	INCA	33.50	1	33.45	300		
BTRD	33.35	1	GSCO	33.52	10	33.45	100		
						33.45	400		





Scanning the Volatility, trend, volume & trinq by sector



Main Points to look for:

- 1) cups and uptrends that are more volatile than other sectors, outlier
- 2) spot early leaders
- 3) look for differences in buy volume w/lead stocks in each sector
- 4) recognize what's "sustained" trend vs. tentative chop

Spotting Exceptions & Early Warning Signals, T&S reversals



- Length of run exceeding others in sectors
- Continuation after b/o & cup/pullback
- Tape: look for "string of trades"

Checklist of Warning Signs that should keep you Out of a Trade

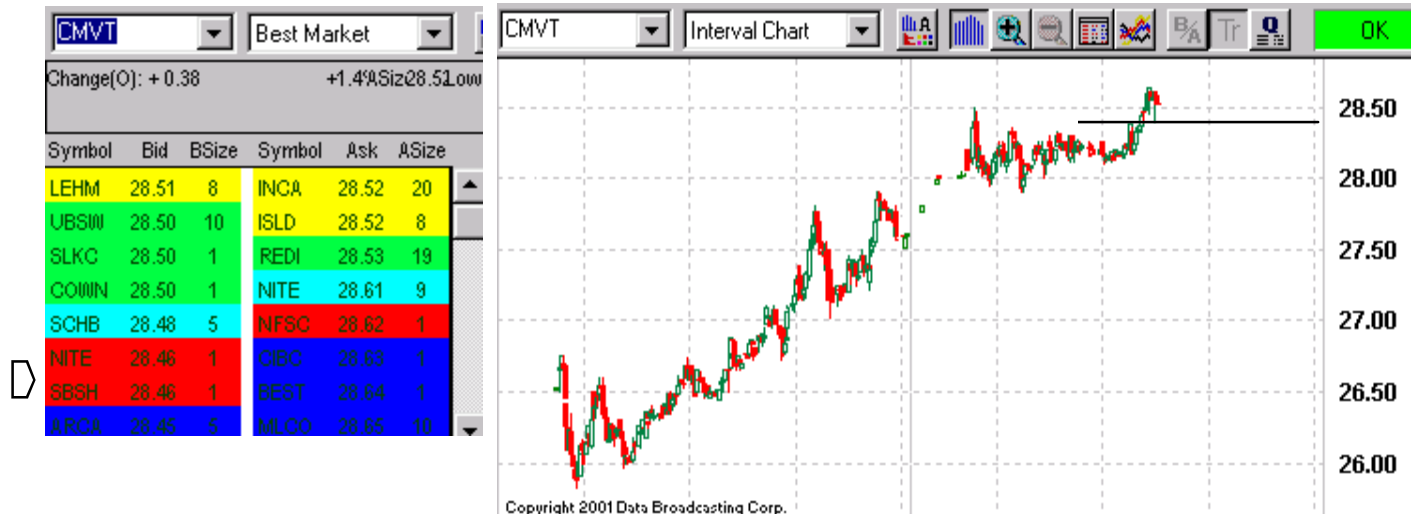
- ___ Extended from 70-90% of either
 - a) total daily range or
 - b) avg length of single run
- ___ Longs: trinq > 1.5, Shorts, trinq < .7
- ___ Compq in tight trading range? or having a narrow range day?
- ___ Chart pattern not 'clean line', eg chop?
- ___ Trading minute 8 of a 10 minute trend
- ___ Fading major trend/green/red in market
- ___ Low sub-2 point volatility on 2d chart
- ___ 11am-1pm?
- ___ Counter percent trading, eg long in a red sector, limit fades to 20%
- ___ Chasing for a fill 3+ spreads from alert
- ___ You missed it, trying for "2nd run"
- ___ Low volatility in the market
- ___ fighting a mm or inca parked inside L2
- ___ fighting a wall of 6+ in direction of trade
- ___ time & sales 50/50 xmas tree
- ___ chart has had fakeouts in same day
- ___ personal fatigue/impatience
- ___ trading while sector still in day's range

Pro thoughts on Selectively Trading for Wins: Filtering the Noise & Chop



Small Stops and Fast Timing: Learn How You Should Look at Each Trade

I like using the red band, 3-4 levels outside on L2 for stop loss, whole number max.



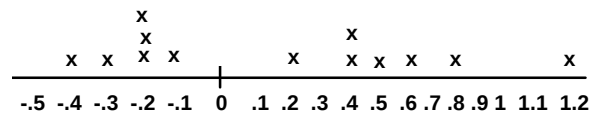
How to Improve your Timing Skills

- Stopwatch timing: 10minute max exercise
- Tape reading for ten minutes in a row
- Vid games, reflex building activities
- Examine length of time for runs, adjust
- Trade “one wave faster” than normally feels comfortable

Close Stops, Early Profits

Tight stops are your only protection in daytrading.

Graphs your wins/stops:



Building Fast Trading Reactions and Closer Trade Management Abilities

Turn to the person next to you. Discuss one or two things you've found helps you improve your reaction timing for entering and exiting your trades.

Write this in the space below:

Advanced Day Trading - Your Personal Action Plan

First: Decide What Techniques & Strategies You Think Could be Most Useful For Your Trading:

- Learn how to microtrade the chart patterns more precisely
- Improve your trading setup, eg use of charts and hardware
- Build your scanning skills and strategies for identifying good stocks
- Be faster and improve your personal timing in your trading
- Improve your ability to “pull the trigger” once you see a good setup
- Spend more time practicing order routing skills
- Be able to stay out of wiggles and enter more selectively
- Improve your shorting skills
- Get tighter discipline to keep stops and exit faster
- Learn how to trade with fibonacci retracements
- Do more breakout and less bounce trades
- Do more bounce and less breakout trades
- Become more adept at using time & sales, tape reading
- Be able to correctly identify micro support and resistance in the COMPQ
- Be able to correctly identify micro support and resistance in stock charts
- Know how to more accurately assess market strength/weakness

Second: Commit to improving your trading skills gradually over time. Minimize risk while you do this. What's the first three areas you will begin improving in when you get back to trading?

The first 3 I will
work on are:

Third: Set SMART (specific, measurable, time-bounded) goals. What do you want to accomplish, and by when? How will you know that you have been successful in each?

Advanced Day Trading Seminar - Course Evaluation

Which of these did you like the best in our training session?
Please rate each section 1-4, with 4 being the most useful.

___ Discussions and Activities, Q&A

Day One:

- ___ Preparing to Make Winning Trades
- ___ Daytrading Scanning Strategies
- ___ Mastering Timing Signals
- ___ Day Trading Chart Breakout Patterns
- ___ Trading with Fibonacci Retracements
- ___ Avoiding the "Wiggles"

Day Two:

- ___ Dynamic Chart Patterns
- ___ Pro Order Routing Strategies (Scott)
- ___ Advanced Trading Strategies (Scott)
- ___ Advanced Chart Patterns & Signals
- ___ Know the Red Flags: Exit Signals
- ___ Managing Risk & Exiting On Time

___ Other: _____

We'd like to get better, with your help..Please circle your answers -- How would you rate:

- | | Sell | Hold | Buy | Strong Buy |
|--|------|------|-----|------------|
| • The <u>session overall</u> | 1 | 2 | 3 | 4 |
| • The workshop <u>materials</u> overall | 1 | 2 | 3 | 4 |
| • The <u>instructor</u> overall - Ken | 1 | 2 | 3 | 4 |
| • The <u>instructor</u> overall - Scott | 1 | 2 | 3 | 4 |
| • The <u>facilities</u> overall | 1 | 2 | 3 | 4 |
| • I would recommend this workshop to others: | | | No | Yes |
| • I learned something new that I can use to help my trading: | | | No | Yes |
| • What did you like <u>best</u> about the Advanced Day Trading Seminar?* | | | | |

- What would you recommend we do to improve the session?

What Other types Training Might You Be Interested in?

*Can I quote you? (Y/N) If Y, please include your name: _____